

From: "Clay Taylor" <ctaylor@amgc.com>
To: "Paul Baker" <paulbaker@utah.gov>
Date: 6/16/04 12:44PM
Subject: RE: Lease UTU-0126943

*Please file
4/047/010*

Paul,

I have attached an updated excel spreadsheet of the 'Summary of Mine Sites and Acreage', for American Gilsonite Company. There have been many changes in the column 'Site Code'. I have added a column named 'Bond Adjustment Amount'. This column reflects the changes in required reclamation costs due to changes in Site Codes. I am happy to report that our reclamation efforts are running far ahead of our disturbance efforts. As a result, we have a considerable amount of headroom in our bond.

I am attaching a copy of a memo submitted to your office on May 31, 2000. At the bottom of page 2, the memo addresses BLM properties WH-3 & WH-7. AGC requested at that time to have these sites removed from the Division's site list. Additionally, on your bond calculations, there is \$35,000 allocated for blasting the veins shut if we were to mine to the surface (leave no surface pillar). At this time, AGC has determined that these mines will not be mined to the surface. WH-7 hasn't even broke ground yet and is not anticipated to for many years. WH-3 (we named it WH-4) is well developed with a surface pillar. I have notated this proposed change in the Bond Adjustment Amount as $\$17,5000 - \$3,336 = \$14,164$ for each site. The \$3,336 represents the estimated costs to reclaim a typical site with equipment.

I hope this data reassures you that our current bond is more than adequate for the addition of the proposed WH-18 NOI. Should you have any questions, do not hesitate to contact me.

Clay

AMERICAN GILSONITE COMPANY

last revision June 15, 2004

| Mine Site | Property | acreage | bond held by | site code | other agency bond amount | DOGM NOTES 5/21/2001 | Bond Adjustment Amount |
|--------------|--------------|---------|--------------|-----------|--------------------------|---|------------------------|
| E-14 | patented | 1.0 | DOGM | me | | mine + equip | |
| E-15 | patented | 1.0 | DOGM | me | | mine + equip | |
| E-30W | patented | 0.5 | DOGM | ee | | escapeway + equip | |
| E-27 | patented | 1.0 | DOGM | me | | mine + equip | |
| E-28 | patented | 0.5 | DOGM | ee | | escapeway + equip. active | |
| E-29 | patented | 1.0 | DOGM | mno | | escapeway + equip; no bin, no derrick | (\$1,296) |
| E-30 | patented | 1.0 | DOGM | mpe | | mine + equip, ponds, no derrick | (\$324) |
| E-31 | SITLA | 0.5 | SITLA | ene | \$5,000 SITLA | escapeway, no equip. | |
| I-9 | patented | 1.0 | DOGM | mpe | | mine + equip, no hoist | |
| I-10 | patented | 1.0 | DOGM | mpe | | mine + equip, no derrick, no bin | |
| I-12 | SITLA | 1.4 | SITLA | me | \$5,000 SITLA | mine + equip. | |
| I-15 | patented | 1.0 | DOGM | mpe | | mine+ only compressor + bldg | |
| I-16 | patented | 1.0 | DOGM | mpe | | mine + equip, no bin | |
| I-18 | patented | 1.0 | DOGM | mpe | | mine + only 2 bldgs | |
| I-24 | patented | 1.0 | DOGM | me | | mine + equip | |
| I-30 | BLM-exchange | 1.0 | BLM-ex | ms | BLM-\$-??? | mine site--cap shaft only + no equip | (\$1,472) |
| B-12 | patented | 0.5 | DOGM | ene | | escapeway-no equipment | (\$648) |
| B-14 | ??? | 0.5 | DOGM | ms | | pre-law reimpacted; need shaft cap | |
| B-16 | patented | 1.0 | DOGM | me | | mine + equip | |
| B-38 | FEE | 1.0 | DOGM | me | | mine + equip | |
| B-40 | FEE | 1.0 | DOGM | mne | | mine no equip | |
| B-42 | FEE | 1.0 | DOGM | mne | | mine -no equipment | (\$1,296) |
| B-44 | BLM | 1.0 | BLM | mpe | BLM-\$-??? | mine + equip, no hoist | |
| WH-3 (4) | BLM | 1.0 | BLM | me | BLM-\$-??? | proposed 2/98; blasting reclamation | (\$14,164) |
| WH-7 | BLM | 1.0 | BLM | me | BLM-\$-??? | proposed 2/98; blasting reclamation | (\$14,164) |
| WH-11 | BLM | 0.0 | BLM | RR | | DOGM RELEASED 1.0 12/8/98;NEED BLM RELEASE | |
| WH-12 | BLM | 1.0 | BLM | mv | BLM-\$-??? | mine-revegetation only | (\$1,588) |
| WH-18 | BLM | 0.5 | BLM | ene | BLM-\$-??? | escapeway no equip | added \$1,020 |
| WH-17 | FEE | 1.0 | DOGM | me | | Reactivated mine site; mine + equip | \$324 |
| LE-3 | FEE | 0.0 | DOGM | RR | | released 1.0 5/15/88 | |
| LE-4 | FEE | 1.0 | DOGM | RR | | DOGM releases during 5/24/00 site inspection | |
| LE-5 | BLM | 1.0 | BLM | mv | BLM-\$-??? | mine no equip | (\$2,884) |
| LE-6 | BLM | 1.0 | BLM | me | BLM-\$-??? | mine + equip | |
| LE-7 | BLM | 0.5 | BLM | ene | BLM-\$-??? | escapeway, no equip., development 1994 | |
| LE-10 | FEE | 1.0 | DOGM | mv | | mine -revegetation only | (\$2,884) |
| LE-16 | patented | 1.0 | DOGM | mv | | seeding only | |
| LE-17 | patented | 0.0 | ? | 0 | ? | LE-17; old site reopened as part of LE-19 | |
| LE-18 | patented | 0.0 | ? | 0 | ? | LE-18; old site reopened as part of LE-19 | |
| LE-19 | patented | 0.5 | DOGM | mv | | 3 acre site, 2.5 released 5/24/00, need revegetation on 0.5 | (\$1,088) |
| LE-20 | patented | 1.0 | DOGM | mv | | mine-revegetation only | |
| PW-3 | patented | 0.0 | DOGM | RR | | RELEASED 1.0 12/8/98 | |
| PW-4 | patented | 0.0 | DOGM | RR | | RELEASED 1.0 12/8/98 | |
| H-1 | FEE | 0.0 | DOGM | RR | | RELEASED 1.0 12/8/98 | |
| H-2 | FEE | 1.0 | DOGM | mv | | mine-revegetation only | (\$1,088) |
| H-10 | patented | 1.0 | DOGM | mv | | mine- revegetation only | (\$2,560) |
| R-1 | patented | 1.0 | DOGM | RR | | DOGM releases during 5/24/00 site inspection | |
| R-2 | patented | 0.0 | DOGM | RR | | capped | (\$1,540) |
| R-3 | patented | 1.0 | DOGM | RR | UBET use | leased to UBET;DOGM released during 5/24/00 inspection | |
| R-4 | patented | 0.0 | DOGM | RR | | capped | (\$1,540) |
| Total Acres- | | 36.4 | 27.0 | acres | | | Change (\$47,192) |

49 total sites

without WH-3/7 blast change

(\$18,864)

Certified Return Receipt

May 31, 2000

Mr. D. Wayne Hedberg
Permit Supervisor, Minerals Regulatory Program
State of Utah, Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Re: Approval of I-12 Amendment, American Gilsonite Company, Bonanza
Operations, M/047/010, Uintah County, Utah

Dear Mr. Hedberg:

This letter provides the information requested in your May 17, 2000 letter and confirms the discussions we have had with your staff concerning the Division of Oil, Gas and Mining's ("Division's") tentative approval of American Gilsonite Company's ("AGC's") proposed I-12 operations on state lease ML-851.

We understand that as part of the Division's approval of our I-12 amendment to our existing large mine operations notice of intention, Division staff conducted a detailed review of current reclamation cost estimates for our entire operations. As we have discussed with your staff, we believe the Division's current estimate of \$844,000 (escalated to year 2005 dollars) should be readjusted to a total of \$463,608. This estimate more accurately reflects local contracting and equipment rental costs, and the actual type and number of mine sites requiring reclamation bonding with the state. Additionally, in order to expedite approval of our I-12 amendment and allow us to begin work on sinking the shaft as soon as possible, we request that the existing \$5,000 bond currently held by the State Institutional Trust Lands Administration ("SITLA") for reclamation of our E-31 operations be transferred to cover our proposed I-12 operations. The overall bond for our operations would be changed to cover the E-31 operation.

Enclosed for your review are detailed responses to your comments, formatted under the applicable Mineral Rule heading. In summary, these enclosures provide the following information: (1) a surface facilities map (R647-4-105.2), (2) a plan for protecting and redepositing soils (R647-4-106.6), (3) an impact assessment of surface and groundwater

(R647-4-109.1), and (5) a revised calculation of reclamation surety and a summary listing of mines sites and acreages (R647-4-113). As noted in your May 17 letter, AGC provided DOGM with sufficient justification by fax correspondence dated May 5, 2000 for a variance regarding soil salvage and replacement for the I-12 operation (R647-4-112).

The Division's current reclamation estimate is based on a total of 41 mines sites with different costs estimates for 5 categories of sites: 32 "typical mine sites" which include equipment, 5 escapeway sites without equipment, 0 sites with reseeding only, 1 site and 1 escapeway bonded with SITLA (removed from new bonding), and 2 future mining sites proposed to be blasted closed. As shown in the enclosed summary of mine sites, the Division's current estimate several sites recently removed following a May 24, 2000 site inspection by Division staff, several sites listed as a "typical mine site" that should be counted as a site without equipment and several sites covered by bonding with the Bureau of Land Management ("BLM"). As we have previously discussed with your staff, the Division also has overestimated the unit costs of reclamation. The enclosed reclamation unit cost estimates provide documentation for a revised calculation based on local contracting and equipment rental costs.

To summarize the enclosed documentation, current reclamation cost estimates should be based on 28 mine sites in 5 categories requiring reclamation surety with the State as follows:

- 16 typical mines sites with equipment,
- 3 typical escapeway sites with equipment,
- 4 sites without equipment,
- 3 sites that require reseeding only, and
- 2 sites that require only caps.

The enclosed revised summary list accurately reflects the current condition of our operations and excludes costs for 8 sites on the Division's list that are covered by bonding with the BLM (B-44, WH-3, WH-7, WH-12, I-30, LE-5, LE-6 and LE-7). Costs for the two sites covered by SITLA bonds (I-30 and I-12 [assuming Division approval to transfer the existing SITLA bond from E-31]) are also excluded, as shown in the Division's list. This revised summary also excludes two sites released following the Division's May 24 inspection and two sites that we requested release in the letter dated May 25, 2000. We also specifically request that the Division remove the two future sites for which blasting is proposed (WH-3 and WH-7) from the reclamation list for two independent reasons. First, as stated above, these sites are BLM sites and should not be covered by the state list. Second, even if for some reason covered by the state, because there is no current mining disturbance of these sites, reclamation bonding should be

Mr. D. Wayne Hedberg

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postponed until, and if, these mine sites are activated at the time the State conducts the next update of reclamation costs.

By submission of this letter and enclosures, we request final approval of our I-12 amendment and a final review of our overall surety bonding requirements.

If you have any questions or comments, please contact me at your earliest convenience at (435) 789-1921. Thank you and your staff for your time and cooperation in completing this permitting action.

Sincerely,

Neldon Kunz
Mine Superintendent
American Gilsonite Company